

**EXHIBIT 9**  
**PART 2 OF 2**

1 sale goes forward, right. That's correct, Your Honor.

2 THE COURT: What we should do is, I understand  
3 MCI is not going to turn anyone's phone off or service off  
4 between now and tomorrow at 3:00.

5 MR. GWYNNE: Correct. We wouldn't have the right  
6 to do it.

7 THE COURT: Even under your analysis of the two  
8 days. So that is kind of like a no prejudice, if I enter the  
9 order, because I am concerned about everybody else.

10 MR. GWYNNE: You could carve Worldcom out. There  
11 is precedent, with all the attorneys in this room, debtors'  
12 counsel, somebody will be saying to Judge Robinson, this  
13 order is the standard injunction, Judge.

14 THE COURT: I don't even understand that word,  
15 precedent.

16 MR. GWYNNE: I realize it doesn't have any  
17 binding precedent.

18 THE COURT: It really doesn't. And this case is  
19 so unusual, because of the public interest, that I would be  
20 literally shocked if another judge out there said there was  
21 something here to be followed in the orders I have issued to  
22 get us to this hearing tomorrow at 3:00. I guess that's  
23 possible. But actually, there is an opinion out there by  
24 Judge Mansley in an asbestos case that talks about there is  
25 no precedent to be followed in the same court or in different

1 courts at the same level. But there is no precedent here.  
2 This is truly a unique case.

3 MR. GWYNNE: Since we won't be terminating, we  
4 may issue a notice, but there is not going to be any  
5 termination before tomorrow, could we have the hearing  
6 scheduled?

7 THE COURT: What I am thinking about doing is  
8 giving you a hearing tomorrow after the sale hearing, or the  
9 next day. I don't know how long the hearing will take  
10 tomorrow.

11 MR. ALBALAH: Your Honor, may I suggest, to  
12 address Mr. Gwynne's concern with respect to the injunction  
13 as distinguished from with respect to getting payment from  
14 the 10th until the closing of our transaction, I think his  
15 concern is whether the injunction that we have asked Your  
16 Honor to continue is permissible from a procedural and  
17 substantive standpoint. Therefore, I think it is necessary,  
18 given that a condition precedent to our deal is to have the  
19 continuation of that injunction, that this hearing be  
20 scheduled at the same time or before our transaction is  
21 hopefully approved.

22 Do you understand what I am addressing, Your  
23 Honor?

24 MR. GWYNNE: We could go first at 3:00.

25 THE COURT: I understand. But I just see it a

1 little differently. I would take it afterwards, particularly  
2 since you are going to be negotiating with them, you would  
3 probably want it afterwards, too, I would think, because we  
4 might have a different situation.

5 MR. GWYNNE: I understand.

6 THE COURT: What I am going to do is schedule you  
7 for tomorrow for the agenda, but presently, my thought is  
8 that I will hear any application you have subsequent to the  
9 sale application.

10 MR. GWYNNE: Thank you very much, Your Honor.

11 THE COURT: Again, I wanted to get your position  
12 clear and have some reference to what occurred previously.

13 Is there anything else you want to put on the  
14 record with regard to your client's position?

15 MR. GWYNNE: No, thank you, Your Honor.

16 MR. PALACIO: Good evening, Your Honor. Ricardo  
17 Palacio from Ashby & Geddes on behalf of Williams  
18 Communications as well as Time Warner. I am going to address  
19 the Williams Communications/Time Warner position as merely a  
20 joinder to the motion to vacate and the objection to  
21 preliminary injunction.

22 To start off, I would like to join in and  
23 basically echo the comments made by Mr. Gwynne. I think  
24 Williams Communications, it is one of the largest carriers to  
25 the debtors, has much at stake here, to say the least, as

1 such incorporates the comments of Mr. Gwynne.

2 Your Honor, there is one spin with respect to  
3 Williams Communications that has been different from  
4 Worldcom, and that is with respect to the notice. In our  
5 motion/objection, if you will, again, I don't know if Your  
6 Honor had an opportunity to review it, but the one difference  
7 I am referring to is that prior to the issuance of the TRO,  
8 Williams had terminated its obligation to provide further  
9 services to Winstar. Subsequently, thereafter, after  
10 terminating its obligation, it commenced the issuance of  
11 notice to the appropriate regulatory agencies, both state and  
12 federal level, and the time period runs anywhere from ten to  
13 30 days, depending on the jurisdiction.

14 Some of those notices have already gone out. The  
15 impact of the TRO on those notices -- we understand, Your  
16 Honor, we are not to cut off any service. However, Your  
17 Honor, we believe that this puts a little bit of a different  
18 spin on what Worldcom has asserted, and we would again like  
19 the opportunity, as I am sure many other carriers, to come  
20 forward before Your Honor and seek a vacation, if you will,  
21 of the TRO.

22 Quite frankly, we have the same issues with the  
23 postpetition obligations, as well as the debt that is  
24 incurring each and every day at this pace, we are incurring  
25 approximately \$170,000 a day that goes unpaid. I think there

1 are some issues that go to the proposed, quote-unquote,  
2 selling and terms of the deal, as far as any assurance of  
3 being paid on a going-forward basis.

4 That is what I wanted to get on the record. We  
5 would request also that we be heard prior to the sale itself.

6 THE COURT: Thank you.

7 MR. KIRPALANI: Good evening, Your Honor.

8 Susheel Kirpalani of the firm Milbank Tweed Hadley & McCloy.  
9 I will be very brief, Your Honor. We appreciate the Court's  
10 indulgence and your expertise in trying to facilitate this  
11 transaction.

12 I wanted to confirm, Your Honor, that other  
13 competing bidders will have an opportunity to outbid IDT's  
14 bid provided that their 15-million-dollar deposit is within  
15 Shearman & Sterling's account prior to the hearing tomorrow.

16 We have, we believe, fully negotiated a purchase  
17 agreement that has been circulated to debtors' counsel as of  
18 this morning. And subject to understanding the terms and  
19 conditions of the competing bid, I will contact Ms. Morgan  
20 from Young Conaway. We just wanted to make sure the record  
21 was clear with respect to competing bidders.

22 THE COURT: I don't want to get into that part of  
23 it because I think it would be inappropriate. But I  
24 assume -- I don't know anything about this -- I was told that  
25 there was no consummated agreement. But if there was, you

1 should be talking with Mr. Shapiro. And if there is 15  
2 million dollars or whatever the conditions were that's been  
3 deposited or wired as we were talking about a week ago and  
4 that came before me, there were two competing bids, then I  
5 would have to make a decision between them.

6 But I am not going to get into the detail of  
7 where you are with Mr. Shapiro and the debtor. In my view,  
8 nobody is foreclosed, because I can't do that. And if you  
9 are not able to talk to Mr. Shapiro because, for whatever  
10 reason, you think that you have a better offer, I assume you  
11 will be here at 3:00 tomorrow to tell me what a terrible deal  
12 the debtor has negotiated and why I shouldn't approve it.

13 MR. KIRPALANI: We hope to be, Your Honor. Thank  
14 you.

15 MR. SHAPIRO: Just to clarify the record. I  
16 don't think Mr. Kirpalani means to suggest that we had a  
17 fully documented agreed-upon contract. As he knows, there  
18 are at least half a dozen or more issues that we have been on  
19 the phone discussing since last Monday that haven't been  
20 resolved. So I don't think --

21 THE COURT: As I understood it, the biggest issue  
22 was they couldn't come up with the money.

23 MR. SHAPIRO: That was a really big issue, Your  
24 Honor. They didn't come up with the money nor have they come  
25 up with the money.

1                   THE COURT: So you decided it wasn't worthwhile  
2 to keep talking.

3                   MR. SHAPIRO: We decided to suspend discussions  
4 about 7:00 Friday night until they could show us that they  
5 actually had the money. Unfortunately, they didn't today  
6 come up with the money. I think, more importantly, if they  
7 were to come up with the money between now and when we come  
8 to Court tomorrow, that's just one, as Your Honor has heard  
9 before, that is just one segment of this transaction. As has  
10 been expressed by IDT, there is a need to be able to show  
11 that the purchase price can be paid and that the operations  
12 can be funded, which are equally important.

13                  THE COURT: You would understand that because you  
14 would be trying to knock out Mr. Jonas' company.

15                  MR. KIRPALANI: That's correct, Your Honor.

16                  THE COURT: He has represented that he has got  
17 the wherewithal to fully perform. But it would probably  
18 behoove you, Mr. Shapiro, just to listen about those other  
19 five or six issues, so that if you come tomorrow and you are  
20 supporting Mr. Jonas' company's bid, that you are at least  
21 prepared for what others might claim to be a better  
22 transaction.

23                  MR. SHAPIRO: What I would propose, since there  
24 obviously is a limited period of time between now and 12:00  
25 tomorrow when we still have to try to finish a contract, and

1 we have been talking to his client now for a few weeks, we  
2 are going to present a contract, as I said, at noon  
3 tomorrow. Anyone who is interested in bidding can bid off  
4 that contract. If they want to change the contract, they can  
5 describe it in court tomorrow. The IDT contract will be the  
6 contract offered which other bidders can bid off, not the  
7 current contract that we have been negotiating with his  
8 client, because unfortunately his client didn't show up with  
9 the money with which we were going to do a deal.

10 THE COURT: That is all you are asking for.

11 MR. KIRPALANI: Yes, Your Honor. It is subject  
12 to understanding the agreement with IDT. Quinn Telecom  
13 Holdings believes it is much more of a going-concern offer.  
14 The five or six points that Mr. Shapiro mentioned were fully  
15 discussed on Friday with Blackstone and Shearman & Sterling.  
16 And what I meant earlier with respect to we believe those  
17 issues had been resolved, in terms of documenting and  
18 papering it, the agreement we circulated this morning covered  
19 our offer, and we have not heard back obviously because there  
20 was a lot of dealings going on today.

21 But we will certainly look at the IDT agreement.  
22 If it fits outside the liquidation type agreement and it fits  
23 a going-concern value type agreement, that will benefit the  
24 customers and the employees, in particular, then we will  
25 certainly work off of that agreement. I have no intention to

1 recreate the wheel at all.

2 MR. SHAPIRO: Again, for the record, what we will  
3 be asking IDT to do is show up with the 15 million dollars  
4 plus all of the funds that are needed to operate the business  
5 for the 30-day period plus the funds for the purchase price  
6 of 38 million dollars. Anyone who chooses to show up  
7 tomorrow with that much cash we would be happy to talk to.

8 MR. ALBALAH: Your Honor, may I very briefly.

9 (Counsel confer.)

10 MR. ALBALAH: Your Honor, this is something we  
11 danced around but I want to confront now head on. I spoke  
12 very briefly with a representative of Blackstone Group. You  
13 saw me speak very, very briefly of debtors' counsel. You  
14 heard the chairman of the board of IDT Corporation. You know  
15 the financial wherewithal of my client. The debtor, its  
16 advisors, have, as Your Honor painfully knows, has been  
17 spending a fair amount of time keeping the telecom providers  
18 of the world at bay, waiting for --

19 THE COURT: You just gave him more pain.

20 MR. ALBALAH: -- waiting for Mr. Zimmerman to come  
21 up with money to close the case. Your Honor, obviously,  
22 accurately portrayed why the debtor stopped that process. We  
23 are here. We read the salient points of the agreement into  
24 the record. We are prepared to close. We would like, as a  
25 condition to that arrangement, in the event that we are

1 ready, willing, and able to close, and Mr. Zimmerman comes up  
2 with the money, we view, I view, categorically, that  
3 benefited the estate, I respectfully submit, there is no way,  
4 to the extent that Mr. Zimmerman does come up with the money,  
5 there is no way that he would have, or there is no way that  
6 the estate would have been in as good of a position that it  
7 will be in tomorrow but for IDT.

8                 Therefore, it is customary, as Your Honor is  
9 well-aware, for a reasonable breakup fee, I believe a  
10 two-and-a-half-percent breakup fee, in the event that we are  
11 prepared to close, is reasonable in these circumstances. And  
12 I would respectfully request that Your Honor now, so that  
13 when we work literally around the clock to get this deal  
14 done, we know that we are working and IDT knows that IDT's  
15 professionals are working around the clock so that they  
16 either get the deal or they benefit the estate.

17                 MR. KIRPALANI: Your Honor, briefly. In terms of  
18 who has been working around the clock to get us to where we  
19 were, I didn't think it was IDT. But I would not comment on  
20 the breakup fee at this time.

21                 MR. SHAPIRO: Your Honor, I have never come  
22 before a Court for a breakup fee without a signed contract in  
23 hand. We don't have a signed contract in hand. I think IDT  
24 is obviously showing they are interested in this, and  
25 hopefully without the breakup fee they would be willing to

1 work the night to get this done. So I would respectfully  
2 disagree with counsel to IDT and say let's go forward on the  
3 basis that we have previously discussed.

4 MR. ALBALAH: Your Honor, you know better than  
5 anyone because the first thing I asked you was to so order  
6 the record, there is no better way -- obviously, we can't  
7 manufacture documents now. By requesting the Court to so  
8 order the record, I respectfully suggest that it's clear that  
9 we are ready to close.

10 When Mr. Shapiro suggests that normally there is  
11 no breakup fee without a signed agreement, I agree with Mr.  
12 Shapiro. But as Your Honor correctly said, this is not the  
13 normal case. We are coming in here, we believe, I don't want  
14 to be melodramatic, but we are coming in here and providing  
15 excellent exit strategy for everyone, for the Court, for the  
16 telecom companies, for the debtor, for the bank.

17 I submit that it is simply wrong to have IDT  
18 provide that benefit without being compensated in the event  
19 that the benefit that it gives the estate, the estate  
20 benefits. The fact there is no signed agreement, we are  
21 prepared to so order the record.

22 THE COURT: I know everybody is anxious and kind  
23 of rushing over issues. But you want to put a breakup fee in  
24 your deal. You have every right to negotiate that with the  
25 debtor. When that document is done at 12:00, that will

1 either be in there or not. I don't get into that today in  
2 any way. But there is nothing that prevents you from further  
3 negotiating that with the debtor. And then your document,  
4 with or without that fee, goes out for public scrutiny and  
5 if -- who is the other bidder -- Mr. Zimmerman, if he decides  
6 that he can qualitatively and quantitatively up your offer,  
7 he will have a chance to do that and you will have your  
8 breakup fee in it.

9 Again, I don't want to get into that detail,  
10 because I am supposed to sit back and be objective at 3:00  
11 tomorrow about whatever comes before me. So I don't want to  
12 participate. But, I mean, you know how to get your breakup  
13 fee, and it's by negotiation into your written document that  
14 is going to be the subject of the 3:00 hearing.

15 MR. ALBALAH: Actually, I respectfully submit  
16 that it can't -- I don't want to -- I don't think it will  
17 work that way because of the following reason. We are here  
18 tomorrow. If Mr. Zimmerman comes up with the 15 million  
19 dollars and the adequate assurance of closing and the  
20 carrier, there would be no incentive -- again, I am not  
21 trying to talk against my interest -- but at that point in  
22 time, there would be no incentive whatsoever for the debtor  
23 to support a breakup fee because the debtor, if it has the  
24 assurance --

25 THE COURT: If he does it before 12:00, you are

1 right.

2 MR. ALBALAH: What I am suggesting --

3 THE COURT: If Mr. Zimmerman puts more end money  
4 on the table, and his -- Mr. Kenney, did you want to say  
5 something?

6 MR. KENNEY: I will wait, Your Honor.

7 THE COURT: -- that will happen.

8 MR. ALBALAH: What I am asking, Your Honor, is if  
9 we are here tomorrow, ready, willing, and able to close...

10 THE COURT: At 3:00.

11 MR. ALBALAH: Yes. ...and Mr. Zimmerman, or for  
12 that matter anyone else, comes out of the woodwork, and the  
13 debtor, which I believe is expressing a change in position --  
14 it was my understanding loosely that it was the debtors'  
15 opinion --

16 THE COURT: I don't think the debtor is shopping  
17 your offer. It is just that everybody wanted to come into  
18 Court and put it on the record. In essence, they are  
19 record-shopping your offer. I guess Mr. Zimmerman knows what  
20 your deal is now.

21 MR. SHAPIRO: Maybe I can suggest something he  
22 would find acceptable. We are going to try to reach a  
23 contract with them by noon tomorrow, maybe even tonight. If  
24 we have a signed contract and as Your Honor suggested if they  
25 insist as a condition that there is a breakup fee, the debtor

1 if they sign that contract will be bound by that contract.

2 THE COURT: That's right.

3 MR. SHAPIRO: Then we have a contract upon which  
4 I am comfortable coming to Your Honor and saying as part of  
5 this we have a breakup fee. Right now we have nothing. We  
6 don't have a contract. We have an expression of intent.  
7 When we get to a contract and have a breakup fee, we can come  
8 before Your Honor tomorrow.

9 MR. ALBALAH: I accept that proposal in large  
10 part and I appreciate the creativity and flexibility.  
11 Normally, as Your Honor knows, this would be the time the  
12 Court would say, if we do that, Your Honor now approves the  
13 breakup fee, because otherwise, there is no order. Normally,  
14 there are bidding procedures which contemplate a breakup fee.

15 THE COURT: What I can tell you is if in any case  
16 that comes before me somebody proposes a deal that goes to a  
17 written contract and it has a breakup fee in it, and that  
18 contract ultimately motivates someone else to come in and pay  
19 a lot more money, they get their breakup fee.

20 MR. ALBALAH: Thank you, Your Honor.

21 THE COURT: I don't know what is going to happen  
22 in this case, because there is no written document for me to  
23 consider.

24 MR. KIRPALANI: Nor do I think there is any  
25 evidence that IDT's interest is what stirred Wintel's

1 interest in any sense. We have always been negotiating  
2 subject to obtaining financing. IDT was at the auction just  
3 like Wintel telecom was at the auction. If there was a time  
4 to start up interest, it would have occurred a long time ago.

5 THE COURT: Write that down and tell me tomorrow,  
6 if things don't go well.

7 MR. KENNEY: Your Honor, he backed down. I don't  
8 need to say anything.

9 MR. ALBALAH: For the record, I don't know if I  
10 backed down, but the record speaks for itself.

11 MR. WHITE: Your Honor, Bill White for  
12 BellSouth. Did I understand Your Honor correctly that any of  
13 the service providers who wish to be heard tomorrow on the  
14 issue of the temporary restraining order will be able to be  
15 heard?

16 THE COURT: Yes.

17 MR. WHITE: The other issue I wanted to raise  
18 with Your Honor was this particular proposal that the Court  
19 indicated would be available at noon with a hearing at 3:00,  
20 I don't see realistically how the carriers will be able to  
21 review that proposal, particularly to be able to consult with  
22 their clients to determine whether they would oppose that.

23 This particular proposal, the scheduling of this,  
24 alters even the bid procedures order, which itself was fairly  
25 truncated. I am concerned about, particularly in light of

1 the supplemental motion that was filed by the debtor over the  
2 weekend, that the carriers that I have discussed it with have  
3 a number of problems because of the potential for the  
4 assumption and assignment of contracts under the guise of the  
5 sale of assets.

6 So I can only say that I think that three hours  
7 notice for a deal to the service providers who are the  
8 biggest constituency that are going to be affected by this is  
9 too short.

10 THE COURT: All right. Thank you.

11 MR. SHAPIRO: Just in response to that, Your  
12 Honor. I think the salient points of the deal were put on  
13 the table tonight. He obviously can get in touch with his  
14 client and has the better part of tomorrow. Obviously, it is  
15 very short. On the other hand, I think that this is a deal  
16 that if we can make it happen, it is in everyone's interest,  
17 and therefore he ought to take the name of counsel to IDT and  
18 have his client speaking to them between now and 3:00  
19 tomorrow.

20 MR. PALACIO: Your Honor, I apologize. On behalf  
21 of Williams. Your Honor, I just want to touch on that last  
22 point briefly. What they are doing when they say the salient  
23 terms have been discussed, what their salient terms are, at  
24 least one of them is a de facto assumption and assignment.  
25 There is a big issue there.

1                   A lot of the telecoms, a lot of the other  
2 creditors in this case, for lack of a better word, have an  
3 issue there. So by saying there is salient terms, get in  
4 contact with somebody, we are talking about 18 hours really  
5 to hammer out their differences. And you are not talking  
6 about a couple thousand dollars. You are talking millions  
7 and millions of dollars here.

8                   When they sent out their cure objection notices,  
9 if you will, with respect to Williams, they said, certain  
10 contracts, we had no idea what contracts they are talking  
11 about. It is something that is not that easy. That is the  
12 one issue I wanted to highlight for Your Honor before we go  
13 on this course, if you will, of contacting them and see if  
14 you can work something out by tomorrow.

15                  The second is merely a request for Your Honor,  
16 that is with respect to my co-counsel, who flew from  
17 Oklahoma, has since left, has asked to the extent Your Honor  
18 is inclined to grant a hearing on the TRO, which Your Honor  
19 has, that he be able to participate telephonically.

20                  THE COURT: Well, I have to be careful about  
21 that, because the numbers of people that are involved, I  
22 don't know if we can do that. But to the extent we can,  
23 mechanically, I will allow it.

24                  MR. PALACIO: Thank you, Your Honor.

25                  MR. SHAPIRO: Your Honor, to address the point.

1 I don't think there is any intention of assuming or assigning  
2 any contracts whatsoever tomorrow. That is not the game  
3 plan. The game plan is to close a contract with the buyer.  
4 The buyer would then have the right for a period of time to  
5 determine which contracts it wants to assume and have assumed  
6 and assigned to it or not have assumed and assigned to it.

7 In the meantime, as I think you heard, the buyer  
8 understands that they are picking up all accruals that would  
9 occur from the time they take over the business, the closing  
10 date, forward, they are not picking up any arrearages. We  
11 are talking about nobody having to deal with the notice  
12 period for a cure amount tomorrow or anything like that. We  
13 are talking about that being done in the future if and to the  
14 extent the buyer determines that any of the contracts should  
15 be assumed and assigned.

16 MR. PALACIO: Your Honor, with all due respect to  
17 Mr. Shapiro, my point is to the extent this sale goes  
18 through, one of the terms there requires that the service  
19 providers continue and are obligated to provide service. If  
20 that is the case, they are basically taking that obligation  
21 that is already there and transferring that pursuant to a  
22 sale. You can't have a sale without an assumption and  
23 assignment. That is my point. Then there is a cure issue  
24 there.

25 MS. SAWCZUK: Your Honor, Maria Sawczuk on behalf

1 of Eastwire (phonetic) Communications. I will be very  
2 brief.

3 I wanted to bring it to Your Honor's attention  
4 that I believe Eastwire is the only service provider at this  
5 point that is also in bankruptcy. So to the extent any of  
6 these negotiations affect or change or modify the claims that  
7 Eastwire has in this bankruptcy, it may be necessary -- I am  
8 not going to opine on this at this point because I am not  
9 entirely sure how it is going to be affected -- it may be  
10 necessary to bring those changes to our Bankruptcy Court for  
11 approval. We do have a fiduciary duty to our creditors in  
12 our case.

13 THE COURT: Where are they in bankruptcy?

14 MS. SAWCZUK: Here, Your Honor, in front of Judge  
15 Katz.

16 THE COURT: All right.

17 MR. LADDIN: Good evening, Your Honor. Daryl  
18 Laddin on behalf of Verizon.

19 Your Honor, I am here before the Court because  
20 Verizon is owed over five million dollars in postpetition  
21 administrative expenses that remain unpaid, despite an order  
22 that this Court previously entered in the case. At the  
23 outset of the case, Verizon entered into a stipulation under  
24 Section 366 with the debtors that required semi-monthly  
25 prepayments, and also gave Verizon the right to terminate

1 service on two business days notice in the event that  
2 payments were not made. The debtor failed to make those  
3 payments on several occasions. Verizon worked with the  
4 debtors, continued to try to work with the debtors, the  
5 debtors continued to fail to pay. As a result of that, we  
6 are now here being owed over five million dollars.

7 Your Honor, I am very concerned with the  
8 procedural posture that we are in here. In particular,  
9 without reiterating what Mr. Gwynne had to say, I would like  
10 to state that Verizon does join in the comments and objection  
11 of MCI Worldcom.

12 In addition to that, Your Honor, we have  
13 significant concerns about the due process with respect to  
14 this particular sale. As I understood Your Honor's comments  
15 during the meeting with the debtors earlier, Your Honor had  
16 denied the sale motion because there was no bidder. The sale  
17 that has just been discussed with the Court here is not the  
18 subject of a motion. It has never been noticed. There is no  
19 opportunity for any of the carriers, including Verizon, to  
20 review the terms of the sale. And it is not reasonable to  
21 require any party in interest to review the terms of a  
22 contract on what will amount to less than three hours notice  
23 and be able to address all of the issues.

24 Substantively, I would expect quite a few  
25 objections, including, in particular, the injunction that

1 apparently the purchaser is asking the Court to issue. I  
2 will acknowledge for the Court that there is a difference  
3 between issuing an injunction against service providers based  
4 upon the request of the FCC for the concerns of the FCC -- as  
5 I understand, that was a significant reason why the Court  
6 entered the initial injunction -- there is a significant  
7 difference between that and issuing an injunction that  
8 benefits the purchaser in this case as well as the banks,  
9 particularly if they are going to request that that  
10 injunction be issued if there are any unpaid administrative  
11 expenses. I would expect that issue to be raised tomorrow,  
12 and we would expect that to the extent that they are seeking  
13 to be paid -- excuse me, to receive service during any period  
14 subsequent to tomorrow, that they pay all of the past due  
15 administrative expenses that are owed.

16 THE COURT: Just so the record is clear, we came  
17 here for a sale hearing today. I was informed by the debtor  
18 there was no sale. So I said procedurally what I was  
19 prepared to do is deny their motion as moot but I would  
20 reconsider if the debtor got to me any information that there  
21 was somebody around the courtroom that wanted to make a  
22 proposal. And that's what happened. So the procedural  
23 status of the sale motion is that it's not denied, because  
24 the offer of Mr. Jonas' company is still pending, and the  
25 hearing is continued till tomorrow.

1                   MR. LADDIN: For the record, I would go ahead and  
2 state my objection for the record on due process grounds  
3 going forward with the hearing tomorrow.

4                   THE COURT: Okay.

5                   MS. SILVERSTEIN: Laurie Silverstein on behalf of  
6 certain affiliates of SBC.

7                   I would join in Mr. Gwynne's comments with  
8 respect to the issuance of the TRO. And I would also add  
9 that I was in the courtroom at the last hearing, and it was  
10 my understanding that the sale hearing and the TRO were being  
11 put over until today, and I believed the hearing to be  
12 adjourned and left with my client, only to find out  
13 subsequently that a TRO was entered. So we were here at the  
14 time, but since the TRO was put over until today we left. I  
15 don't know what comments were made by the FCC. I did not  
16 receive any notice of the TRO hearing prior to being in  
17 court. And I also believe there are significant procedural  
18 issues with respect to the entry of the TRO.

19                  I also agree that there are procedural issues  
20 with respect to going forward with the sale hearing on a  
21 completely different as yet undocumented sale motion.

22                  One salient point that I would like clarified,  
23 because it has now come up twice during the discussions that  
24 have happened, is that the buyer will be taking on the  
25 going-forward obligations from the closing date. That's what

1 I keep hearing. I don't know when the closing date is going  
2 to be.

3 THE COURT: You will hear about that tomorrow.

4 MS. SILVERSTEIN: That is a salient term. If  
5 they know, we would like to hear today, if it is different  
6 than tomorrow.

7 THE COURT: The hearing that was scheduled for  
8 today is adjourned until 3:00 tomorrow, which includes the  
9 sale and the temporary restraining order. When I was told  
10 there wasn't a sale, there was a discussion of how we would  
11 have a hearing that would consider all the interests that  
12 would be affected by a conversion to Chapter 7. So I  
13 adjourned the hearing on the basis of that information to  
14 3:00 tomorrow by teleconference.

15 Then I was advised that there was the possibility  
16 of a sale. So all I have done is adjourned it to an open  
17 hearing in the courtroom at 3:00 tomorrow, because it appears  
18 we are not in a conversion mode, unless I am misunderstanding  
19 something. To get to that, in either instance, we had to  
20 extend the TRO another 24 hours, until tomorrow. But all  
21 those issues about what is in the deal, I assume, will be in  
22 the document and you can get it at 12:00 tomorrow.

23 MR. SHAPIRO: The debtor agrees with Your Honor's  
24 position. It's clear that we came to Court hoping to come to  
25 Court at some point today with a sale. We didn't think we

1 had one this morning. Now we may have one. We are  
2 continuing and adjourning the hearing until tomorrow and we  
3 will find out tomorrow whether in fact we do. And we will  
4 address all the issues that people will be raising tomorrow  
5 once they have an opportunity to see the contract.

6 THE COURT: If there is no transaction to be  
7 considered at 3:00 tomorrow, then we will go forward with the  
8 premise that the teleconference was going to be, and that  
9 would be to consider with the United States Trustee the  
10 conversion.

11 MR. SHAPIRO: I agree, Your Honor.

12 THE COURT: Rather than be on a teleconference,  
13 we will come here at 3:00 and consider that.

14 MR. SHAPIRO: Hopefully Pauline Morgan has a lot  
15 of space in her house tonight.

16 THE COURT: We are going to -- unless somebody  
17 has something that is different from what we have been  
18 talking about...

19 MS. MELNIK: Selinda Melnik for Lexend  
20 (phonetic).

21 We had put on a motion for today on shortened  
22 notice because of this hearing, and I was wondering whether  
23 that would be put over not until tomorrow but to the omnibus  
24 hearing on Thursday. I wanted to clarify that.

25 THE COURT: The only thing that was to be heard

1 today was the sale motion and a reconsideration of any  
2 comments that folks wanted to make with regard to a TRO.  
3 There was nothing else really on the agenda. We are going to  
4 move to tomorrow. But anything else will be heard at a  
5 to-be-scheduled omnibus hearing, because I am not sure what's  
6 going to happen tomorrow that it would make any sense to have  
7 an omnibus hearing on the 20th. It's still possible this  
8 case could go to Chapter 7 tomorrow.

9 MS. MELNIK: I don't think that would moot our  
10 motion, no.

11 THE COURT: No. But it would put it in a  
12 different context. And the Trustee, the reason why we  
13 couldn't consider that information today is because the  
14 United States Trustee has to find somebody to come in.

15 MS. MELNIK: There may or may not be an omnibus  
16 hearing on the 20th.

17 THE COURT: There won't be for sure, because I  
18 don't think -- Mr. Kenney, you can help us -- are you able --  
19 I thought that was part of the stress of doing anything  
20 today, because we have to get somebody to come in.

21 MR. KENNEY: Your Honor, we do. We might be able  
22 to do it in a couple days. But I know, if I get a trustee in  
23 even this week, the trustee is not going to be able to  
24 respond to Ms. Melnik's motion.

25 THE COURT: So I don't think the 20th is going to

1 be a day that anything can be done. So we are going to focus  
2 on tomorrow and see what happens. If it is a sale -- it  
3 would be different than if it is converted. And then if it  
4 is converted, he will have to get somebody that can be --

5 MS. MELNIK: So we will take one day at a time.

6 MR. JESSUP: Douglas Jessup on behalf of Univance  
7 (phonetic), Your Honor. I flew out from Denver last Monday  
8 coming for a sale. I flew out again for a sale. I will  
9 probably stay overnight and wait for another sale. I did  
10 have last week set a motion for adequate assurance, Your  
11 Honor. Obviously, this is all moving very quickly, and we  
12 did also have it set today. I was one of the other motions  
13 that was set today at 2:30. I think we ought to roll that  
14 over to tomorrow, if that is possible, Your Honor.

15 What I am faced with and what I have learned in  
16 this whole process is the FCC came in and said we are going  
17 to need 31 days to shut things down, and therefore, carriers,  
18 you are going to have to go along with that, and we are all  
19 scrambling to figure out who is going to pay for that and  
20 things like that. Now we have a new party who says they will  
21 pay for things going forward, although I have not  
22 heard -- they have left open when they get to terminate.  
23 What I don't want to see is, they dance together for 45 days,  
24 60 days, they say they are out of here and by the way send  
25 their termination notice. Now we are right back to where we

1 started again, 30 days, with nobody paying for it again. It  
2 has all kind of come to a head on this. I bring that to your  
3 attention, Your Honor, and also ask for my motion to be  
4 continued.

5 THE COURT: The motion was put on, again, the  
6 agenda, without my agreement to hear those kind of matters  
7 today. You can present any kind of a position that you want  
8 in response to whatever sale is proposed to be heard  
9 tomorrow. But again, if there is no sale tomorrow, then the  
10 context is much different. So I don't want to hear anything  
11 in the nature of adequate assurance if there is going to be a  
12 trustee appointed by the United States Trustee.

13 MR. JESSUP: Agreed, Your Honor.

14 THE COURT: Everybody here is sophisticated  
15 enough to understand that there would have been a great  
16 difference today if we continued with no buyer in a whole lot  
17 of ways. And we are still not sure that there is a buyer.

18 MR. JESSUP: Your Honor, I feel the same way.  
19 That is why we are trying to protect ourselves, trying to  
20 understand what is going on. I would also join in the other  
21 comments of the carriers' counsel. Thank you, Your Honor.

22 MR. SHERMAN: Andrew Sherman, Seals Cummis, on  
23 behalf of Qwest Corporation and Qwest Corporation  
24 Communications.

25 We join in the comments by the other telecoms.

1                   Your Honor, one point we would like some  
2 clarification on is what contracts will the debtor be  
3 assuming or will the purchaser be utilizing from the closing  
4 date forward. We still have yet to be supplied with a list  
5 of contracts. And if there is going to be this, quote,  
6 management agreement, we need to know what business the  
7 purchaser is going to manage, meaning what are the  
8 contracts. And if that list can be provided by tomorrow at  
9 12:00, at least that might get some type of notice out to the  
10 counter-parties to the contract of what --

11                  THE COURT: I don't think they are going to have  
12 that tomorrow. I think they contemplated, I will let Mr.  
13 Shapiro a little bit -- when the presentation was made, my  
14 understanding is that that was what they were going to do  
15 between tomorrow and the presentation to the state and  
16 federal regulatory authority.

17                  MR. SHAPIRO: Let me try to explain how I think  
18 it would work. This is again really the buyer's  
19 transaction. As I understand it, the buyer will not be  
20 seeking to assume and assign any contracts tomorrow. So the  
21 debtor will continue to utilize let's say the transaction  
22 actually closed after Your Honor entered an order tomorrow  
23 immediately, so on Thursday, or Wednesday or Thursday, the  
24 buyer will have bought the equipment. Obviously, the  
25 licenses won't be transferred, the customers won't be

1 transferred until subsequent regulatory approval by the FCC  
2 and the appropriate states.

3                 However, in the interim, as we have heard, the  
4 buyer intends to operate the business and has said they will  
5 continue to pay all the ongoing costs of operating the  
6 business. To the extent that the buyer continues to use the  
7 services of Mr. Sherman's client, Qwest, then they would have  
8 to pay on a current basis, on a go-forward basis from the  
9 closing forward for those services.

10               THE COURT: As I understood it, they were going  
11 to escrow some funds.

12               MR. SHAPIRO: They agreed to put 30 million  
13 dollars in escrow to support their obligation to do so. If,  
14 however, three days into their ownership they decide to  
15 terminate the Qwest relationship, then they would obviously  
16 have to give Qwest notice and have to terminate and stop  
17 paying --

18               THE COURT: While that process was occurring,  
19 they would be getting paid from the escrow funds.

20               MR. SHAPIRO: Correct.

21               MR. SHERMAN: We can address it tomorrow. Who is  
22 going to be the party to our contract subsequent to this? Is  
23 the debtor going to remain on the hook or is it going to be  
24 the purchaser? As the purchaser, there has to be a formal  
25 assumption and assignment. There has to be a cure.

1                   THE COURT: It sounds to me like they are both on  
2 the hook, but the debtor has no money. It's the purchaser,  
3 and once they notice you, either for, it would be an  
4 assignment, you will have an opportunity to come in and  
5 object to that assignment. And if they reject you, you have  
6 an opportunity to come in, being paid till that point, and to  
7 present your cure.

8                   MR. SHERMAN: I guess everybody can imagine what  
9 will happen is they will not give that notice of assignment  
10 for 60 days, allow the carriers to continue to provide  
11 service, then on the 60th day or whatever they decide to  
12 reject, again, you have sort of abdicated or pushed off the  
13 rights the telecoms, including Qwest, has under 365. We can  
14 get into that tomorrow.

15                  THE COURT: Well, again, it would depend on the  
16 agreement and what the time frames of the agreement are and  
17 the amount of money and what determination I will make that  
18 they have protected companies like your client.

19                  MR. SHERMAN: The last point, Your Honor, I guess  
20 we will get into it tomorrow, it appears the debtors seem to  
21 be transferring their rights under 366 to the purchaser. In  
22 essence, the carriers will be forced to begin anew under this  
23 management arrangement, with no deposit or otherwise, and  
24 again, we are going to be providing full services, I think  
25 the management agreement had a five-day cure. And again, we

1 will reserve those rights and more likely than not object to  
2 that tomorrow.

3 THE COURT: Well, what would happen to your  
4 client if tomorrow I signed a conversion order and I continue  
5 the injunction till I feel comfortable with the evidence that  
6 I have relied on from the FCC that you not terminate? How  
7 long could you be pushed out then, with no money?

8 MR. SHERMAN: As long as Your Honor continues the  
9 injunction. That is up to Your Honor's discretion, I  
10 imagine.

11 THE COURT: But assuming it's the 31 days, I am  
12 not so sure you are in a better situation there. That is  
13 your best situation without a purchaser.

14 MR. SHERMAN: That could be.

15 THE COURT: How much would your client lose in 35  
16 days?

17 MR. SHERMAN: Over a million dollars. A  
18 million-five. But at that point, we would know there would  
19 be a finite date and that services would terminate if the  
20 arrangement -- we can deal with it if in the sale continues.

21 THE COURT: I guess my point is, I don't think  
22 that that finite amount of money changes whether you get 60  
23 days and get paid or whether you get it tomorrow. That is  
24 why I am having a hard time understanding the position.

25 MR. SHERMAN: Well, first, we are not assured,

1 and I understand --

2 THE COURT: You would like to get out of this  
3 Winstar situation as quickly as possible, I understand that.  
4 But absent that, I don't see your exposure shifting in any  
5 way from that outside amount of money, based on what I know  
6 from what I have heard from the FCC to date.

7 MR. SHERMAN: We are continuing to provide  
8 services, yes, you will have a guarantee of IDT, I guess  
9 however they are going to phrase it, in the document. But --

10 THE COURT: I think it is more than a written  
11 guarantee. I think it is a cash guarantee. They are going  
12 to put money in the bank. If that starts to run short, I  
13 assume you can run back in here and tell me, Judge, there is  
14 not enough money in there, we need more. And I would tell  
15 Mr. Jonas to ante up because things are taking longer, if you  
16 want to stay in that game or your 31 days or 35 days would  
17 kick in because I wouldn't enjoin you any longer.

18 But again, I don't see how the outside gets any  
19 worse than five or six days for you.

20 MR. SHERMAN: Maybe it's semantics or if it was  
21 structured as a prepay, this 30 million dollars, you started  
22 a prepay arrangement with the various carriers, that might  
23 gives the carriers a little more comfort on a go-forward  
24 basis. Just to have the 30 million sit there in escrow and  
25 you have to apply for it and be paid in arrears is different

1 than the arrangement we negotiated with the debtor --

2 THE COURT: I understood it to be an ongoing  
3 thing. We will see tomorrow when they present the document.  
4 But I think you got to focus on that potential of a 30- to  
5 40-day loss is out there no matter, and what saves you from  
6 that is a deal.

7 MR. SHERMAN: That is one perspective and maybe  
8 my client will disagree with that. Maybe, as Your Honor  
9 said, they want to get out of this situation.

10 THE COURT: Because it is unsettled and I can  
11 understand that.

12 MR. SHAPIRO: Your Honor, I suggest we need to  
13 resolve all these things in the contract. We haven't reached  
14 agreement on all these points. We will reach agreement,  
15 hopefully get a document.

16 THE COURT: You are getting some information of  
17 what could help you work through.

18 MR. SHAPIRO: It is helpful to know people's  
19 concerns. We anticipated these concerns, and we will be  
20 address them tomorrow.

21 THE COURT: Anyone else want to be heard?

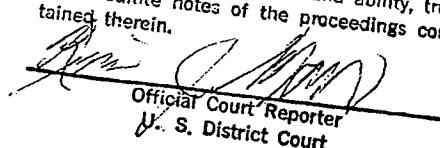
22 We will be in recess until 3:00 tomorrow.

23 (Hearing concluded at 7:05 p.m)

24 - - -

25 Reporter: Kevin Maurer

I hereby certify that these shorthand notes  
are, to the best of my skill and ability, true  
and accurate notes of the proceedings con-  
tained therein,

  
Official Court Reporter  
U. S. District Court